

Sonoma County Water Agency

Single Audit Report

Year Ended June 30, 2006

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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

To the Board of Directors
Sonoma County Water Agency
Santa Rosa, California

Compliance

We have audited the compliance of the **Sonoma County Water Agency** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The **Sonoma County Water Agency's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the **Sonoma County Water Agency's** management. Our responsibility is to express an opinion on the **Sonoma County Water Agency's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program have occurred. An audit includes examining, on a test basis, evidence about the **Sonoma County Water Agency's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the **Sonoma County Water Agency's** compliance with those requirements.

In our opinion, the **Sonoma County Water Agency** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the **Sonoma County Water Agency** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the **Sonoma County Water Agency's** internal control over compliance with requirements that could have a direct and material effect on a federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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3550 Round Barn Blvd., Suite 100, Santa Rosa, CA 95403
(707) 542-3343 • Fax (707) 527-5608

Offices in Santa Rosa, Petaluma and Napa www.pbllp.com

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133 (continued)**

Internal Control Over Compliance (continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the **Sonoma County Water Agency** (the "Water Agency"), a component unit of the County of Sonoma, as of and for the year ended June 30, 2006 and have issued our unqualified report thereon, dated September 7, 2006.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole and should be read in conjunction with the basic financial statements and related notes.

This report is intended solely for the information and use of the Sonoma County Water Agency's Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

Santa Rosa, California
February 15, 2007

Sonoma County Water Agency

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Federal Emergency Management Agency			
Passed Through State of California			
Office of Emergency Services			
Public Assistance Grant Program	97.036	OES 097-00000	\$ 2,286,212
U.S. Department of Interior			
Direct Programs			
U.S. Bureau of Reclamation			
Water Reclamation and Reuse Program -			
North Sonoma County	15.504	02FC200091	133,245
Water Reclamation and Reuse Program -			
North San Pablo Bay	15.504	02FC200141	232,508
U.S. Environmental Protection Agency			
Passed Through State of California			
Department of Health Services			
Safe Drinking Water State Revolving Fund Loan	66.468	SRF1997CX107	319,202
Passed Through Metropolitan Water			
District of Southern California			
Desalination & Research Innovation Partnership			
(Advanced Water Treatment Pilot Study)	66.463	N/A	3,623
Total Expenditures of Federal Awards			\$ 2,974,790

See accompanying Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sonoma County Water Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Federally Funded Loan Program

The Sonoma County Water Agency had the following loan obligation balance outstanding at June 30, 2006, for which the federal government imposes continuing compliance requirements. The loan obligation balance is not included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Amount Outstanding
Safe Drinking Water State Revolving Fund Loan	66.468	\$ 9,349,117

Expenditures incurred in the current period which qualify for loan reimbursement are noted as follows:

Fiscal Year	Current Year Expended	Cumulative Expended	Current Year Loan Received	Cumulative Loan Balance
June 30, 2000	\$ 106,578	\$ 106,578	\$ -	\$ -
June 30, 2001	2,879,877	2,986,455	461,154	461,154
June 30, 2002	3,066,441	6,052,896	3,004,518	3,465,672
June 30, 2003	2,044,883	8,097,779	-	3,465,672
June 30, 2004	2,911,979	11,009,758	3,714,678	7,180,350
June 30, 2005	1,511,269	12,521,027	2,168,767	9,349,117
June 30, 2006	319,202	12,840,229	-	9,349,117

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

Section I. Summary of Independent Auditor's Results*Financial Statements*

See Financial Audit Report dated September 7, 2006, issued under separate cover.

Federal Awards

Internal control over major programs:

Material weaknesses identified _____ yes X no

Reportable conditions identified that are

not considered to be material weaknesses _____ yes X none reported

Type of auditor's report issued on
compliance for major programs:

Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133

_____ yes X no

Identification of major programs:

CFDA Number

Name of Federal Program or cluster

15.504

Water Reclamation and Reuse Program

97.036

Public Assistance Grant Program

Dollar threshold used to distinguish
between Type A and Type B Programs

\$300,000

Auditee qualified as low-risk auditee:

 X yes _____ no

Section II. Financial Statement Findings

See Financial Audit Report dated September 7, 2006, issued under separate cover.

Section III. Findings and Questioned Costs for Federal Awards

No matters were noted.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2006

No matters were noted in the prior year.